ANNUAL REPORT
1997/98

Yukon
Government Services

103-03094/

ANNUAL REPORT
1997/98

Yukon
Government Services
Box 2703, Whitehorse, Yukon Y1A 2C6

Our File:
Your File:

July 30, 1998

The Honorable David Sloan
Minister of Government Services
P.O. Box 2703
Whitehorse, Yukon Y1A 2C6

Dear Mr. Minister:

I have the honour to submit for your consideration the Second Annual Report for the Property Management Agency (PMA) for the year ended March 31st, 1998.

The PMA has taken important steps during its second year to refine operations and improve customer service. The Agency recognizes that a sound financial base is fundamental to its success.

The pursuit of refined delivery of services focused on customer satisfaction will equip the PMA to meet the challenges of the future.

Respectfully submitted,

Dave Parfitt
Deputy Minister

KLONDIKE
GOLD RUSH
CENTENNIAL

July 28, 1998

I am pleased to present the Annual Report of the Property Management Agency (PMA) for fiscal year 1997/98.

This report describes the Agency, the services it provides and its accomplishments during our second year as a special operating agency.

1997/98 was a challenging year as we strove to refine the Agency's operations and improve customer service. PMA management and staff working together provided our customers with the results reported in this document.

Our challenge for the future will be to refine our service delivery methods and further reduce maintenance and management costs.

We thank our clients for their cooperation as we worked towards our goals.

Mike Bartsch
A/Agency Head

Table of Contents

OVERVIEW 1

AGENCY STRUCTURE 1

MISSION 1

MANDATE 2

SERVICES 2
- Development 3
- Facilities Management 3
- Realty Services 3

MAJOR OPERATING HIGHLIGHTS ..... 4 - 6
- Objectives
- Progress

PROPERTY MANAGEMENT AGENCY CAPITAL PROGRAM ..... 7 - 8

PERFORMANCE AND BENCHMARKING RESULTS 9

CONCLUSION 10

FINANCIAL STATEMENTS ..... 1 - 5
- Notes to the Financial Statements 6

OVERVIEW

Effective April 1, 1996, the Property Management Agency began operating as a Special Operating Agency (SOA) focused on providing quality customer service and managing for results. This is the Agency's second annual report.

The Agency manages the government's properties to meet the operational space requirements of its customers, the departments and agencies of the Government of Yukon. Costs are recovered through Facility Management Agreements with the Agency's customers.

PMA's services are also provided to Yukon College, Workers' Compensation Health & Safety Board, First Nation governments and other non-government agencies. In all we manage more than 400 government owned and leased properties.

AGENCY STRUCTURE

Property Management Agency is a program of the Department of Government Services. It is subject to government legislation, directives and policy, and contributes to the overall mission, mandate and vision of the department.

The Agency Head, who is the Assistant Deputy Minister, Property Management, directs the day-to-day business of the Agency and reports to the Deputy Minister of Government Services.

An advisory board, consisting of a selection of customer representatives advises the Agency on the preparation of its annual business plans.

MISSION

The mission of the Property Management Agency is:

> *To help government departments and publicly funded agencies meet their objectives by procuring and managing facilities that will provide affordable, comfortable, and appropriate accommodation for their program activities.*

MANDATE

The role of the Property Management Agency is to procure facilities from the private sector and to manage the ongoing interests of the government as an owner and occupant of public facilities. As a central agency within government, PMA fulfills a need for specialized skills that are common to all government departments and agencies.

The mandate of the Property Management Agency is to carry out its mission and be accountable to the legislature for:

a) *Customer Service: Meeting the needs of government departments by delivering services to them in a flexible, customer oriented manner that enables them to focus their resources on their core business.*

b) Bottom Line Results: Managing the delivery of property management services in an entrepreneurial and business-like manner to ensure that the government's resources are used to maximize productivity and effectiveness.

c) *Public Policy: Meeting the public policy objectives of the Government of Yukon.*

SERVICES

The Agency's service offerings are divided into three major categories: Development, Facilities Management and Realty Services. PMA provides services for two basic categories of facilities:

- special purpose facilities, which are generally client sponsored buildings such as schools, institutions and grader stations; and
- commercial facilities, which are generally offices and warehouses that are leased or owned by Government Services.

Development

Development services are provided to help customers plan and acquire affordable and appropriate facilities for their program activities. Services include facilities planning and evaluation, functional programming, design, and construction management. Services are provided on a project-by-project basis, so that customer objectives and requirements for each project are fully understood and the scope and cost are adequately defined. An individual PMA project manager is assigned responsibility for working directly with the individual departments project sponsor on each project. Guidelines for defining process, roles and responsibilities are contained in the *Building Development Procedures Manual.*

PMA's planning program delivers such services as building condition reports, commercial space planning, post-project and post-occupancy evaluations, standardized contract documents and a collection of various benchmarking and costing data to assist our customers.

Facilities Management

The business of facilities management is to deliver comprehensive operational and maintenance support for government facilities. We ensure that our customers are provided with a comfortable working environment for their staff that includes day-to-day reliability as well as long-term maintenance of the building.

Services are provided under written facility management services agreements or under the terms of annual leases arranged through our Realty Services unit. Facility Management agreements are negotiated to meet each customer's needs while keeping in mind the need for prudent management of the government's assets. Services are usually divided into the following categories: maintenance, utilities, custodial, security, and grounds. Customers choose which of these they will manage themselves, and which they will request Property Management to manage on their behalf.

Realty Services

Realty Services allocates office and commercial space to Yukon government departments from the Yukon Government's inventory of owned and leased commercial space. Services offered include administering leases and managing the government's overall investment in commercial space. Through this activity, Property Management effectively acts as the "landlord" for Government Services owned space. Departments access this service when they need changes to their office space. Non-government organizations use the service when they want access to Yukon Government owned property, for example, the use of a parking lot for a celebration or the use of the Administration Building foyer for an event. The Agency determines the best course of action in the context of the government's overall strategy for managing commercial space and then initiates the necessary action within the Agency to meet the customer's needs.

MAJOR OPERATING HIGHLIGHTS

The Agency's 1997/98 Business Plan set its goals and operating objectives for the year, against which its performance could be measured. The major strategic and operational objectives and the progress that was made in 1997/98 are summarized below.

Objectives

1. Solidifying the Agency's Operations

Progress

- New and follow-up client focus sessions were held. Increased awareness and understanding of the clients' programs and needs were gained. Communications with our clients aided in the planning of PMA's budget and allowed us to customize our service to each client's needs.
- Client service agreements in excess of nine million dollars were negotiated and signed.
- The evolution of customer service agreements continued. Practical and concise definitions of service were communicated with our customers.
- A management group to review the framework for IBIS was established. This group made recommendations on costing policies, reporting requirements and on the future direction of IBIS.
- The vision, goals, objectives and business plan were reviewed with staff to ensure that there was a complete understanding of the Agency's roles and responsibilities.

2. Improving Customer Service

Progress

- Customer satisfaction and feedback was monitored and acted upon. Staff queried clients by targeting specific work requests and phone calls were made to the client clarifying that the work request was completed in a timely and satisfactory manner.
- Forty-four PMA employees attended a customer services workshop.

3. Improved Utilization of Government Property

Progress

- Discussions were held with clients in the outlying communities to define their individual space requirements and to develop long-range space plans which would meet their needs.

- A space planner was hired to assist clients in identifying under-used, vacant and/or inappropriate space and to consolidate program space usage.

- A long-term analysis of space needs was conducted in response to devolution initiatives and other potential program changes.

- Changes to government programs drove the need for changes to office space configurations and therefore several office moves were completed. The primary reason for the moves was to consolidate the post-devolution Health administration units so that staff who were formerly part of Health Canada were integrated with the Yukon Government staff.

4. Being Accountable

Progress

- Access to the Agency through a World Wide Web home page was made available internally to government departments via intranet. Currently work order information is available along with some building information.

- Cost accounting policies were developed establishing how services are defined and how the costs of these services will be accounted for.

- Financial reports required from IBIS were defined.

5. Improved Management of Government Property

Progress

- The framework required to assess the overall condition of facilities was commenced. The report from this framework will be called the "Building Condition Report" and will provide a basis to determine future capital maintenance and upgrading needs and priorities. Eighty percent of the information that is to be included in the Building Condition Reports has been collected.

- Communication with our clients in the communities was undertaken to define their individual space requirements and to develop long-range space plans in line with their program needs.

- We have continued to audit energy use to identify buildings suitable for cost effective retrofits and to establish strategies to reduce energy consumption.

- A list of potential projects to reduce energy cost has been developed for internal review.

- In energy saving efforts the following was undertaken:
  - Over 3,000 fluorescent light tubes and 1500 ballasts were disconnected.
  - In four buildings where the fixtures were due to be replaced, the fixtures were replaced with fewer, energy-efficient fixtures.

- Variable speed drive controllers have been placed on new energy-efficient motors in the Administration Building resulting in the speed of the motor changing as operating requirements change.
- A pilot project was completed that replaced incandescent bulbs with light emitting diode lamps in exit signs.

6. New Service Initiatives

Progress

- Ongoing negotiation discussions were held with federal agencies to consider the advantages in utilizing PMA resources for project management and other services, especially in communities where it would provide a significant tax saving to the public.

PROPERTY MANAGEMENT AGENCY CAPITAL PROGRAM

(For Information Only)

The financial statement below illustrates the dollar value of work not accounted for under the Agency's SOA financial framework.

The Agency's Capital Program is funded by the following:
(1) Government Services Vote 16 which provides capital funding for delivery of PMA Capital Program; and ,
(2) Client "bill-back" basis for each project managed for our clients. Funds are spent through a transfer authorization from the sponsoring department.

Capital Program
Year Ended March 31, 1998
(in thousands of dollars)

(1) CAPITAL VOTE (PMA)	**1998**	**1997**
EXPENDITURES		
- Building Development Overhead	$1,257	$1,431
- Pre-engineering	29	18
- Common Facilities	77	59
- Energy Conservation Retrofits	34	29
- Capital Maintenance and Upgrades	435	805
- Property Management Equipment	32	49
- Old Crow Road	777	
Total expenditures	**$ 2,641**	**$2,391**
(2) CLIENT "BILL-BACK" PROJECTS		
EXPENDITURES		
Capital Projects – Government Departments	$ 12,872	$11,591
Capital Projects – Corporations and Outside Agencies	92	276
Total expenditures	**$ 12,964**	**$11,867**
TOTAL PMA CAPITAL EXPENDITURES	**$ 15,605**	**$14,258**

Note to reader: This statement of capital expenditures is for information purposes only. This financial statement is has not been audited.

Development Services

Fiscal year 1997/98 was a significant year for capital construction for the Agency with expenditures exceeding $12.9 million. This investment represents the continuation of the government's infrastructure development program to meet the program needs of our clients. During the year PMA managed 408 capital work requests for clients and completed 28 Government Services' capital projects.

Major 1997/98 projects included:

1. Replacement of Old Crow School
   Completed school's design and purchased building materials for shipment via winter road.

2. Old Crow Road
   A temporary winter road was built to allow construction materials for the new school to be trucked into Old Crow.

3. School Additions and Renovations
   Due to the grade reorganization initiative, major renovations were completed during the summer of 1997 to the following facilities: Christ the King Elementary School, FH Collins Secondary School, Vanier Secondary School, Elijah Smith School, and Porter Creek Secondary School.

   Christ the King Elementary School
   A new computer room was built and extensive renovations were made to the primary wing and library.

   FH Collins Secondary School
   Design and construction of a modular classroom/weight room next to the existing gym. A renovation project that consisted of five separate contracts for different areas of the school including a new science lab, new computer lab, library renovations, new business lab, gym change room renovations, electrical upgrade and several other upgrades to meet building code specifications.

   Vanier Secondary School
   Renovations to this school included a new computer lab, a new library, a science lab, some flooring and various modifications to meet building codes.

   Elijah Smith School
   Constructed an addition of three classrooms, an art room, and a gathering space to link the new addition to the existing structure.

   Porter Creek Secondary School
   To convert the school from a junior high to a secondary school, 535 square meters of the existing structure were renovated and a 4004 square meter addition was constructed.

PERFORMANCE AND BENCHMARKING RESULTS

Operating and Maintenance Volumes

PMA SERVICE	1997/98 Actuals			1996/97 Actuals		
	Gross Area Sq.Ft.	*Cost $*	*Cost Per Sq.Ft.*	*Gross Area Sq.Ft.*	*Cost $*	*Cost Per Sq.Ft.*
Utilities	1,118,969	2,539,000	2.27	1,132,309	2,562,300	2.26
Custodial	1,936,852	4,868,000	2.51	2,004,960	4,889,500	2.44
Security	1,606,610	452,000	0.28	1,630,919	513,600	.31
Grounds	2,008,316	587,000	.29	2,335,771	629,500	.27
Commercial Lease	224,956	4,901,000	21.79	253,454	4,403,600	17.37
Maintenance	2,936,565	4,936,000	1.68	3,222,278	5,091,100	1.58
Facilities Management	2,936,565	2,620,000	.89	3,222,278	2,328,600	.72
Subtotals		**20,903,000**			**20,418,200**	
Services		217,000			371,800	
TOTAL O&M		**21,120,000**			**20,790,000**	

In comparison to the previous year the only significant difference in cost per square foot is with Commercial Lease, Maintenance, and Facilities Management. The reason for the increased cost for commercial leases was an increase in operating and renewal costs. The increase in maintenance and facilities management was due to the costs being spread over less space.

Revenue Highlights

The financial results and operating performance of the Agency were generally consistent with expectations, showing only slight increases over projections.

Revenue derived from operations was $21.252 million, representing an increase of $400,000 over the $20.8 million projected in our 1997/98 Business Plan and an increase of $352,000 over the $20.90 million in 1996/97. After expenses of $21.12 million, the net income from operations was $132,000. This increase in revenues was due to additional services being provided for some clients.

CONCLUSION

The Agency has made significant progress towards meeting the objectives that were set in its Charter and 1997/98 Business Plan. In collaboration with the Agency's clients and service partners, a Business Plan for 1998/99 was prepared. The new plan focuses on refining service delivery methods and reducing maintenance and management costs.

Financial Statements

Property Management Agency

(A Special Operating Agency of Yukon Government Services)

March 31, 1998

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
March 31, 1998

Statement of Financial Position	**3**
Statement of Financial Activities	**4**
Statement of Changes in Financial Position	**5**
Notes to Financial Statements	**6**

COLLIN YOUNG CHARTERED ACCOUNTANT
201 - 100 Main Street, Whitehorse, Yukon Y1A 2A8
867-667-2245, Fax 867-667-7997

AUDITOR'S REPORT

To the Executive Council Member responsible for
Government Services

I have audited the balance sheet of Property Management Agency - A Special Operating Agency of Yukon Government Services as at March 31, 1998 and the statement of financial activities, for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 1998, and the results of operations for the year then ended in accordance with generally accepted accounting principles.

Whitehorse, Yukon
June 12, 1998

Chartered Accountant

Property Management Agency

(A Special Operating Agency of Yukon Government Services)

Statement of Financial Position

As at March 31

(Thousands of dollars)

	1998	1997
Assets		
Current		
Accounts Receivable	$ 88	$ 171
Due from Government of Yukon (note 4)	786	799
	874	$ 970
Liabilities and Accumulated Surplus		
Current		
Accounts payable and accrued liabilities	$ 632	$ 860
Accumulated Surplus	242	110
	$ 874	$ 970

Legislative compliance (note 5)

Approved:

Deputy Minister
Yukon Government Services

Minister
Yukon Government Services

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Statement of Financial Activities
For the year ended March 31,
(thousands of dollars)

	1998	1997
Revenue		
Legislative appropriations (note 3)	$ 10,613	$ 10,959
Facilities management (note 3)	9,299	8,839
Realty leases (note 3)	1,121	742
Project and development services (note 3)	219	360
	21,252	20,900
Expenses		
Maintenance (note 3)	4,936	5,091
Custodial	4,868	4,889
Leases	4,901	4,404
Utilities	2,539	2,562
Administration (note 3)	2,620	2,329
Grounds	587	629
Security	452	514
Project and development	217	360
Contract services	-	12
	21,120	20,790
Net income for the year	132	110
Accumulated surplus, beginning of year	110	0
Accumulated surplus, end of year	$ 242	$ 110

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Statement of Changes in Financial Position
For the year ended March 31
(thousands of dollars)

	1998	1997
Operating Activities		
Net income for the year	$ 132	$ 110.0
Increase in non-cash working capital		
Accounts receivable	83	(171.0)
Accounts payable	(228)	860.0
	(13)	799.0
Investing activities		
Increase in due to (from) Government of Yukon	13	(799)
Change during year	$ -	$ -

Property Management Agency
(A Special Operating Agency of Yukon Government Services)
Notes to the Financial Statements
For the year ended March 31, 1998

1. Authority and Operations

The Agency was established as a Special Operating Agency under the Property Management Agency Charter with the approval of the Cabinet of the Government of Yukon and commenced operations on April 1, 1996.

The Agency is a program of the Department of Government Services that is responsible for the procurement and management of appropriate, affordable operational facilities for government departments and certain publicly funded entities. The Agency is accountable for its activities as described in its charter. As a program of the Department, the Agency is subject to government legislation, directives and policy.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of the financial statements.

a). Accounts Receivable

Accounts receivable are recorded at the lower of cost and net realizable value.

b). Services provided by Government of Yukon without charge

The Agency does not record the value of services it receives without charge. These services include the following:

- Use of office furniture and fixtures
- Program equipment
- Interest free legislation appropriation and other advances from the Government of Yukon

c) Pensions

The employees of the Agency are deemed to be employees of the Government of Yukon. Both the Agency and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Agency is only liable for current contributions which are expended in the accounts on a current basis.

3. Related party transactions

The Special Operating Agency. As a program of the Department of Government Services of the Government of Yukon, is related to other government departments and Crown Corporations.

Included in the Agency's revenue and expenses are the following related party transactions:

	1998	1997
Revenue		
Legislative Appropriations	$ 10,613	$ 10,959
Government Departments	10,041	9,068
Corporations	407	382
	$ 21,061	$ 20,409
Expenses		
Fleet Vehicle Agency	$ 377	$ 350
Government Services (Stores)	176	175
Community & Transportation Services	3	10
	$ 556	$ 535

4. **Due from Government of Yukon**

Due from Government of Yukon is a long-term receivable of the Agency consisting of the balance of cash received and disbursed by the Government of Yukon on behalf of the Agency, since the Agency's establishment April 1, 1996.

The receivable is non-interest bearing with no fixed terms of repayment.

5. **Legislative compliance**

The Property Management Revolving Fund is governed by subsection 44.2 of the Financial Administration Act.

- 44.2(1) states that the Fund limit shall be $250,000. The balance of the Revolving Fund at March 31, 1998 was $242,000 (1997 - $110,000).
- 44.2(2) states that the accumulated capital and operations and maintenance expenditures, excluding amortization, shall not exceed the accumulated revenues in the Fund at the time of expenditure. The following schedule shows that this legislative requirement has been met.

Revenue	$ 21,250
Operating and maintenance expenditures	21,118
Capital expenditures	-
Less: Amortization	-
	21,118
Excess of revenue over expenditures as defined in subsection 44.2(3)	$ 132

- 44.2(3) states that capital expenditures from the fund shall not exceed $100,000 in a fiscal year. Capital expenditures for the year ended March 31, 1998 were nil.